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## N E W S R E L E A S E

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### PEGASUS ANNOUNCES INCREASE IN MONTANA TUNNELS ORE RESERVES

**SPOKANE, WASHINGTON - January 7, 1993 - Pegasus Gold Inc. (AMEX, TSE, ME:PGU)** announced today that the ore reserves at Montana Tunnels have been increased by greater than 50 percent to 757,000 gold ounces and 1.7 million gold equivalent ounces. The increase results from a recently completed drilling program and updated project economics that incorporate the lower mining costs being realized from self-mining. Ore reserves as of January 1, 1993, have increased to 38.1 million tons grading 0.020 ounces per ton gold, 0.28 ounces per ton silver, 0.62 percent zinc, and 0.22 percent lead. The overall stripping ratio has increased to 2.1:1 from 1.4:1.

Werner Nennecker, President and Chief Executive Officer of Pegasus, stated, "The ore reserve increase at Montana Tunnels is positive news for Pegasus. It is the result of our 1992 objective to increase the funds spent for reserve increases at our operating sites. The employees at Montana Tunnels have continued to optimize the mine's performance by reducing operating costs and increasing plant performance. The implementation of self-mining, the installation of the gravity circuit, combined with other improvements in the concentrator, have allowed the mine to achieve a higher level of operating efficiency and lower its production costs. This increase means that Montana Tunnels will be producing into the next century."

Montana Tunnels has been operating for 5.8 years, and a new plan anticipates another 8.4 years, for a total mine life of over 14 years. The new mine plan and reserves take into account the lower commodity prices, and the cutoff grade has been increased from 0.014 ounces per ton gold to 0.016 ounces per gold. In addition, the increase in the ore reserves is a result of a development drilling program conducted from June to September, which totals 54 holes and over 34,000 feet of new drilling. The additional ore reserves are within the mine's existing permit boundary.

The new ore reserves may have an impact on the net profits royalty interest to USMX, Inc. However, based on current commodity prices, cost assumptions, and the agreement with USMX, as defined, payback is unlikely during the projected life-of-mine. However, any significant increases in the gold and zinc price may have implications for the royalty calculation. Pegasus holds 32.3 percent of the outstanding shares of USMX, Inc.

Pegasus Gold Inc. is a major gold producer that produces over 400,000 ounces of gold from its five mines and proportional interests in other companies, together with significant quantities of silver, lead and zinc. Pegasus Gold common shares are traded on the American Stock Exchange, the Toronto Stock Exchange, and the Montreal Exchange under the symbol PGU. Options on the company's common shares are traded on the Chicago Board Options Exchange and the Montreal Exchange.

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